



# Q2 2002/2003

[6 months report]  
for the period 2002-10-01 to 2003-03-31

## KEY FIGURES

In TEUR	6 months report	6 months report
	2002-10-01 - 2003-03-31	2001-10-01 - 2002-03-31
Net sales	5,013	5,323
EBITDA	-60	818
EBIT	-1,576	-996
EBT	-1,361	-725
Cash flow from operating activities	-1,010	1,134
Cash flow from investing activities	-1,226	-2,887
Net result for the period	-1,306	-458
Earnings per share (in EUR)	-0.24	-0.09
Quota of equity	83%	84%
Number of persons employed	155	160

## ACCOUNTING PURSUANT TO IAS

This quarterly report includes the financial figures from the balance sheet and income statement, data on earnings per share, and the cash flow statement; each of these includes figures from the relevant year-before period for the purposes of comparison. It has been prepared in line with Deutsche Börse AG's rules for structured quarterly reports. The report is based on accounting according to IAS, International Financial Reporting Standards (IFRS) in future. The same accounting and valuation methods have been used as were applied in the last annual financial statements.

## INCREASE OF THE ORDER VOLUME DESPITE WEAKNESS OF THE TELECOMMUNICATION MARKET

To the end of the second quarter of the current fiscal year, the LS telcom group could obtain a total revenue of EUR 5,013 thousand. The decrease of 6% in comparison to the previous year (then: EUR 5,323 thousand) reflects the continuing weakness of the telecommunication market relevant for LS telcom.

The weakness in the sectors Mobile (GSM and UMT) and Point-to-Point Communication, which are covered by the segment Software for Network Operators and the segment Services, continued in the second quarter.

On the other hand the various chances on the telecommunication market became clearly evident. An increase of the revenues and the order volume have been taken place in the segment Software for Regulatory Authorities and in the segment Services, apart from the sectors Mobile and Point-to-Point Communication as mentioned above.

The following table presents sales trends by segments:

## SALES PER SEGMENT

in TEUR	Sales 6 months report 2002-10-01 - 2003-03-31	Sales 6 months report 2001-10-01 - 2002-03-31	Change	EBIT 6 months report 2002-10-01 - 2003-03-31	EBIT 6 months report 2001-10-01 - 2002-03-31
Software for Network Operators	1,839	3,176	-42%	-131	774
Software for Regulatory Authorities	1,667	1,337	25%	-864	-944
Software in total	3,506	4,513	-22%	-995	-170
Services	1,507	810	86%	-581	-827
Total	5,013	5,323	-6%	-1,576	-997

Sales booked outside Germany increased to 85% of the total, with sales inside Europe contributing to 60 percentage points, and sales in other regions amounting to 40 percentage points (of that Asia: 33).

Total output including the capitalisation of own development costs as stipulated by IAS has decreased by 11% to EUR 6,069 thousand (previous year: EUR 6,813 thousand).

The segment Services (86%) clearly shows the highest increase of the revenues. Due to an increasing demand for seminars and for trainings the trainings and competence centre in Lichtenau have been established furthermore. Additionally various consulting projects are carried out by Spectrocan Solutions Ltd. The Canadian subsidiary fulfilled the very good reputation in doing consulting for regulators.

SiteMarket, with its registered radio locations and exclusively secured objects suffered from the delays in investment activities for the sectors Mobile (GSM and UMTS) and Point-to-Point Communication.

High regular depreciations and costs of purchased services in projects of our Canadian subsidiary had strong impact on the EBIT of the segment Services of EUR -581 thousand (previous year: EUR -827 thousand).

As already shown in the first quarter the segment Software for Regulatory Authorities carried out additional deliveries and completion of projects. Apart from projects for the new system for frequency administration of air communication frequencies further frequency management systems have been installed in Europe and Asia.

It should be emphasized that during the second quarter the order volume has been clearly increased in the segments Software for Regulatory Authorities and Services.

The revenues of the segment Software for Network Operators are characterized severely by the contribution of broadcast. As mentioned in the previous periods broadcast contributed profitably.

## HUMAN RESOURCES

On March 31<sup>st</sup> 2003, the worldwide payroll of the LS telcom group came to an average of 155 employees (previous year: 160) worldwide. Despite the foundation of the Canadian subsidiary at the end of May 2002 the number of employees was decreasing.

## ORDER BOOK AND TARGETS

The order volume determined on twelve months still amounts to EUR 6.6 million. The expectation, especially in the segment Software for Regulatory Authorities was fulfilled.

## **NET RESULT**

Compared to the previous year, the decreased revenues (6%) and the lower amount in capitalized development costs (45%) resulted in a negative EBIT of EUR -1,576 thousand (previous year: EUR -996 thousand).

Net result for the reported period is EUR -1,315 thousand (previous year: EUR -458 thousand). Loss per share thus comes to EUR -0.24 (previous year: EUR -0.09).

## **COST TRENDS**

During the first two quarters further cost-saving measures were implemented. Cost of services has increased due to external consultant services in projects of Spectrocan Solutions Ltd.

The costs shown in the P&L statement include a total of EUR 90 thousand of one-time restructuring expenses, in connection with the implementation of costs-saving measures.

The lower amount of capitalized development costs within the intangible assets led to a significant reduction of the overall depreciations.

## **INVESTMENTS**

Most relevant investment in the first six months of business year 2002/2003 are capitalized development costs of EUR 1,033 thousand.

## **CASH BALANCES**

As on March 31<sup>st</sup>, 2003, LS telcom held cash and cash balances of EUR 8,469 thousand or EUR 1.59 per share.

## **CHANGES IN MANAGEMENT AND SUPERVISORY BOARD MEMBERSHIP**

In the period under review there were no changes in the membership of the Management and Supervisory Boards.

The number of shares and options in LS telcom AG held by members of the Management and Supervisory Board is presented in the following tables:

## NUMBER OF SHARES

Number of shares	2003-03-31	2002-09-30
BOARD OF MANAGEMENT		
Dr. Lebherz	1,617,862	1,617,862
Dr. Schöne	1,643,862	1,643,862
Dipl.-Ing. Götz	4,148	4,148
SUPERVISORY BOARD		
Dr. Holtermüller	4,898	4,898
Prof. Dr. Wiesbeck	4,148	4,148
Dipl.-Betr. Reiser	4,148	4,148

Number of subscription rights (stock options) in LS telcom AG held by members of the Management and Supervisory Board:

## NUMBER OF STOCK OPTIONS

Number of stock options	2003-03-31	2002-09-30
BOARD OF MANAGEMENT		
Dr. Lebherz	21,100	10,100
Dr. Schöne	21,100	10,100
Dipl.-Ing. Götz	21,100	10,100
SUPERVISORY BOARD		
Dr. Holtermüller	0	0
Prof. Dr. Wiesbeck	0	0
Dipl.-Betr. Reiser	0	0

## OUTLOOK FOR THE NEXT MONTHS

The market has not changed significantly compared to the situation of the first quarter. The increase of the order volume during the second quarter of the business year 2002/2003 gives us some hope, but still our relevant telecommunications market has not gained in visibility.

At present a considerable amount of open tenders is in stages in Europe, Asia and Africa. We expect more orders from these open tenders to be added to our books.

LS telcom will continue with a major focus on the segments Services and Software for regulatory administrations. The software, developed for the needs of these authorities, together with our competence in this sector and the opportunity to complete the package with consulting, seminars, case studies etc. are still strongly demanded.

European and Asian institutions are interested in software for frequency planning and coordination due to the digitalisation in TV and FM radio. Accordingly we are expecting a profitable contribution from this sub-segment.

As mentioned in the previous period strong attention will also be paid to the expenses. Opportunities to save costs will be systematically taken furthermore. Measures, that help develop and increase revenues, market access, liquidity and profitability, will be implemented in a consequent manner. Already implemented measures should become visible from the 4<sup>th</sup> quarter of this financial year. Coming from a staff count of 170 in last year LS telcom then will have a reduced payroll of worldwide 127 staff.

Lichtenau, May 2003

LS telcom AG

The Board of Management

## BALANCE, PURSUANT TO IAS

### Assets

In TEUR	6 months report 2002-10-01 - 2003-03-31	Annual report per 2002-09-30
CURRENT ASSETS:		
Cash and cash equivalents	4,158	2,377
Short-term investments/marketable securities	4,310	8,328
Trade accounts receivable	3,015	1,700
Account receivable due from related parties	0	0
Inventories	74	179
Deferred tax asset	0	0
Prepaid expenses and other current assets	604	763
OTHERS	0	0
<b>Total current assets</b>	<b>12,161</b>	<b>13,347</b>
NON CURRENT ASSETS:		
Property, plant and equipment	1,354	1,582
Intangible assets	4,892	5,092
Goodwill	705	618
Financial assets	0	0
Shares in associated companies	13	13
Loans to associated companies	508	494
Deferred taxes	1,061	1,061
Other assets	0	0
OTHERS	0	0
<b>Total non current assets</b>	<b>8,533</b>	<b>8,860</b>
<b>Total assets</b>	<b>20,694</b>	<b>22,207</b>

## Shareholders' equity and liabilities

In TEUR	6 months report 2002-10-01 - 2003-03-31	Annual report per 2002-09-30
CURRENT LIABILITIES:		
Current portion of capital lease obligation	0	0
Short-term debt and current portion of long-term debt	0	0
Trade accounts payable	354	392
Advance payments received	0	0
Accrued expenses	562	772
Deferred revenues	232	200
Income tax payable	0	0
Deferred taxes	0	0
Other current liabilities	502	279
OTHERS	0	0
<b>Total current liabilities</b>	<b>1,650</b>	<b>1,643</b>
NON CURRENT LIABILITIES:		
Long-term debt, less current portion	0	0
Capital lease obligations, less current portion	0	0
Deferred revenues	347	470
Deferred taxes	1,410	1,458
Pension accrual	0	0
OTHERS	0	0
<b>Total non current liabilities</b>	<b>1,757</b>	<b>1,928</b>
Minority interest	9	17
SHAREHOLDERS' EQUITY:		
Share capital	5,335	5,335
Additional paid-in capital	18,373	18,373
Profit reserve	32	32
Treasury stock	0	0
Retained earnings/accumulated deficit	-6,462	-5,121
Accumulated other comprehensive income/loss	0	0
OTHERS	0	0
<b>Total shareholders' equity</b>	<b>17,278</b>	<b>18,619</b>
<b>Total shareholders' equity and liabilities</b>	<b>20,694</b>	<b>22,207</b>



## Profit and Loss Account

In TEUR	Q2 2002/2003 2003-01-01 - 2003-03-31	Q2 2001/2002 2002-01-01 - 2002-03-31	6 months report 2002-10-01 - 2003-03-31	6 months report 2001-10-01 - 2002-03-31
Revenues	2,009	1,677	5,013	5,323
Other operating income	27	62	127	87
Changes in inventories of finished goods and work in progress	-7	-41	-105	-485
Production of own fixed assets capitalised	841	1,055	1,033	1,888
Cost of purchased materials and services	159	191	412	403
Personnel expenses	2,248	2,049	4,331	4,248
Amortisation/depreciation	767	951	1,479	1,814
Amortisation (and impairment) of goodwill	26	0	37	0
Other operating expenses	684	651	1,385	1,345
OTHERS	0	0	0	0
Operating income/loss	-1,014	-1,089	-1,576	-996
Interest income and expenditure	64	135	215	335
Income from investments and participations	0	76	0	76
Income/expense from associated companies	0	0	0	0
Foreign currency exchange gains/losses	0	0	0	0
Other income/expense	0	-70	0	-140
Result before income taxes (and minority interest)	-950	-948	-1,361	-726
Income tax	101	-349	-46	-267
Extraordinary income/expense	0	0	0	0
Result before minority interest	-1,051	-599	-1,315	-459
Minority interest	2	0	9	0
Net income/loss	-1,049	-599	-1,306	-459
Net income/loss per share (basic) in EUR	-0.20	-0.11	-0.24	-0.09
Net income/loss per share (diluted) in EUR	-0.20	-0.11	-0.24	-0.09
Weighted average shares outstanding (basic) in thousands	5335	5335	5335	5335
Weighted average shares outstanding (diluted) in thousands	5335	5335	5335	5335

## Cash-flow statement

In TEUR	6 months report 2002-10-01 - 2003-03-31	6 months report 2001-10-01 - 2002-03-31
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income/loss (before tax)	-1,361	-726
ADJUSTMENTS:		
Minority interests	0	0
Amortisation/depreciation	1,516	1,814
Tax expenditure	47	0
CHANGES IN ASSETS AND LIABILITIES:		
Decrease/increase in trade accounts receivable and other assets	-1,156	44
Changes in inventories	105	485
Decrease/increase in trade payables and other liabilities	-160	-4
<b>Net cash from operating activities</b>	<b>-1,010</b>	<b>1,134</b>
CASH FLOW FROM INVESTING ACTIVITIES:		
Acquisition of subsidiaries, net of cash acquired	0	0
Proceeds from disposal of subsidiary, net of cash transferred	0	0
Investments in intangible assets	-1,195	-2,364
Investments in property	20	-252
Investments in financial assets	-15	-271
Exchange rate differences (settled)	-36	
<b>Net cash from investing activities</b>	<b>-1,226</b>	<b>-2,887</b>
CASH FLOW FROM FINANCING ACTIVITIES:		
Decrease in bank loans	0	0
Increase in additional paid-in capital	0	0
Dividends paid to stockholders	0	0
Payment of capital lease liabilities	0	0
<b>Net cash from financing activities</b>	<b>0</b>	<b>0</b>
Net effect of currency translation in cash and cash equivalents		
<b>Decrease/increase in cash and cash equivalents</b>	<b>-2,236</b>	<b>-1,753</b>
Cash and cash equivalents at the beginning of the period	10,705	15,769
<b>Cash and cash equivalents at the end of the period</b>	<b>8,469</b>	<b>14,016</b>

## Statement of changes in equity, pursuant to IAS

In TEUR	Capital subscribed	Capital reserves	Revenue reserves	Unappropriated profit	Total
Status as on 2000-10-01	1,083	2,551		2,657	6,291
Allocation to the revenue reserves			32	-32	0
Share capital increase on 2001-11-01	2,552	-2,552			0
IPO on 2001-03-05	1,700	19,550			21,250
Net IPO costs		-1,176			-1,176
Net income/loss for the year				395	395
Status as on 2001-09-30	5,335	18,373	32	3,020	26,760
Status as on 2001-10-01	5,335	18,373	32	3,020	26,760
Exchange rate differences				-96	-96
Net group result				-8,046	-8,046
Status as on 2002-09-30	5,335	18,373	32	-5,122	18,618
Status as on 2002-10-01	5,335	18,373	32	-5,122	18,618
Exchange rate differences				-34	-34
Net group result				-1,306	-1,306
Status as on 2003-03-31	5,335	18,373	32	-6,462	17,278

## FINANCIAL CALENDAR

Annual General Meeting in Bühl	March 5 <sup>th</sup> , 2004
9 months report	August 2003
Annual report 2002/2003	December 2003

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